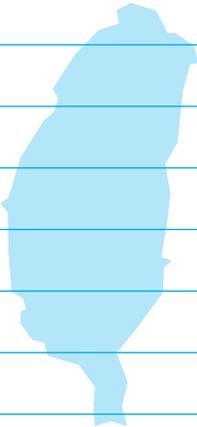


9. Taiwan

Key statistics	Taiwan	Peer average
Manufacturing GDP CAGR (2010-13)	4.0%	2.3%
Manufacturing GDP percentage of total GDP (2013)	29.2%	16.7%
Labor costs (US dollars per hour) (2015)	\$9.4	\$18.7
Manufacturing exports percentage of total exports (2014)	90.7%	60.2%
Highest corporate tax rate (2015)	17.0%	25.3%
Researchers per million population (UNESCO 2013)	5,995	2,852
Per capita personal disposable income (US dollars, 2015)	\$14,480	\$14,910
Per capita personal disposable income (US dollars) CAGR (2005-2015)	2.7%	3.8%



Supplemental analysis Taiwan – Competitiveness at a glance

Manufacturing highlights

- Taiwan began as a manufacturing base for foreign semiconductor companies but has now evolved into a global development and manufacturing center.
- Manufacturing accounted for 29.2 percent of Taiwan's GDP in 2013.
- Taiwan has a large electronics industry that has been the primary exporter and driver of the country's economy. Electronic products exports of US\$95.6 billion accounted for 34.1 percent of total exports of US\$280.5 billion in 2015.
- Exports to Mainland China and Hong Kong comprised 39.0 percent of Taiwan's exports in 2015.

Advantages to manufacturers

- Low tax burden:** Taiwan has a top corporate tax of 17 percent, lower than most neighboring markets, making Taiwan's taxes very competitive. Taiwan provides incentives for foreign investors to reduce their tax burden.
- Highly educated workforce:** Educational spending accounted for 20.1 percent of total government expenditure in Taiwan in 2014. Taiwan ranked 12th in education and training out of 144 countries according to World Economic Forum's 2015 Global Competitiveness Report.
- Quality infrastructure:** Being one of the first countries in Asia to develop quality infrastructure, Taiwan's facilities are extensive, with 100 percent of the state-owned railway network electrified, and presence of three large ports and two international airports.
- Presence of Free Trade Zones:** Being located close to several major ports in Asia, Taiwan offers a significant advantage to the manufacturers. To attract foreign investments, Taiwan has established Free Trade Zones (FTZs) at major, international commercial ports. At end of 2014, 77 FTZ enterprises had been authorized.
- High economic freedom:** Taiwan ranks among the world's freest economies – 14th out of 186 countries, according to the 2015 Index of Economic Freedom – due to its strong commitment to structural reforms, openness to commerce, low corporate tax rate, and elimination of minimum capital requirements for establishing a company.
- Robust manufacturing clusters:** Taiwan boasts of the world's largest cluster of semiconductor manufacturing facilities, and is globally competitive in flat panel manufacturing.

Supplemental analysis Taiwan – Competitiveness at a glance

Challenges	<p>Dependence on few major export markets:</p> <ul style="list-style-type: none"> • Despite long-standing ties with major Western economies, markets outside the ASEAN region comprise a comparatively smaller share of exports. • In 2014, exports to the United States from Taiwan were 11.8 percent of total exports, while Mainland China and Hong Kong, in aggregate, accounted for 42.1 percent. Economic reliance on China is concerning due to recent headwinds on the mainland. <p>Shrinking population: Low birth rates – 1.3 children per family in 2012 – and an aging population do not auger well for expansive economic growth.</p>	<p>Challenging IP regime: Despite being removed from the United States Trade Representative’s (USTR) watch list, protection of IP in Taiwan remains a challenge. In March 2015, The International Intellectual Property Alliance (a private, US watchdog group), called for Taiwan to be added back to the USTR watch list.</p> <p>Lack of natural resources: Taiwan lacks any significant natural resources and its reserves of coal, natural gas, and oil are of limited commercial viability. Taiwan’s large manufacturing base requires it to import its vast energy and raw materials requirements.</p>
Things to watch out	<p>Evolving cross-strait relations:</p> <ul style="list-style-type: none"> • Taiwan is attempting to improve relations with China, its largest trade partner by negotiating new accords within the framework of the bilateral Economic Co-operation Framework Agreement (ECFA). However this is being balanced with a wary approach, to ensure its sovereignty is not put at risk. • The delicate balancing act is not without opposition. In March 2014, 500,000 Taiwanese – mostly students – protested against the opening of select market sectors to Chinese investment within the context of the cross-strait ECFA. • Despite concerns, a strong relationship with China is important to enable Taiwan to pursue trade agreements with diminished resistance from China. 	<p>Uncertainties on signing of new FTAs:</p> <ul style="list-style-type: none"> • Despite finalizing an FTA with New Zealand in July 2013, Chinese opposition to Taiwan striking FTAs with other countries has left Taiwan on the sidelines. • Though Taiwan has long been in free trade discussions with the European Union, the United States, Singapore and Malaysia, fresh efforts in 2015 have been made to strengthen economic cooperation – with the aim of signing bilateral agreements with the Philippines and Indonesia. • Taiwan’s officials have been urging leaders to support their membership in the stalled Trans-Pacific Partnership (TPP), which, if ratified, could create an export-rich ecosystem, tying 12 countries from the United States to Singapore.

Source: Deloitte Touche Tohmatsu Limited analysis ^(xxx)